STATE OF UTAH INSURANCE DEPARTMENT

FINANCIAL EXAMINATION REPORT

OF

LANDCAR CASUALTY COMPANY

OF

SANDY, UTAH

AS OF

DECEMBER 31, 2002

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November 19, 2003

Honorable Alfred W. Gross, Commissioner
Chair, Financial Condition (E) Committee, NAIC
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
P.O. Box 1157
Richmond, Virginia 23218

Honorable John Morrison, Commissioner
Secretary, Western Zone, NAIC
Montana Department of Insurance
840 Helena Avenue
Helena, Montana 59601

Honorable Merwin U. Stewart, Commissioner
Utah Insurance Department
State Office Building, Room 3110
Salt Lake City, Utah 84114

In accordance with your instructions and in compliance with Utah Code Annotated (U.C.A.) Title 31A, an examination was conducted as of December 31, 2002, of the financial condition and business affairs of

LANDCAR CASUALTY COMPANY
of
Sandy, Utah

a stock life insurance company, hereinafter referred to as the Company.

SCOPE OF EXAMINATION

Period Covered by Examination

The last examination was made as of December 31, 1999. The current examination covers the period from January 1, 2000, through December 31, 2002, including any material transactions and/or events occurring subsequent to the examination date noted during the course of this examination.

Examination Procedure Employed

The examination was conducted to determine compliance with accounting practices and procedures in conformity with the applicable laws of the state of Utah, insurance rules promulgated by the state of Utah Insurance Department (Department), and Statements of Statutory Accounting Principles (SSAPs) contained within the Accounting Practices and Procedures Manual promulgated by the National Association of Insurance Commissioners (NAIC).

The examination included a general review and analysis of the Company's operations, the manner in which its business was conducted during the examination period and a determination of its financial condition as of December 31, 2002. Assets were verified and valued, and liabilities were determined or estimated.

The Company retained a certified public accounting firm to audit its financial records for the years under examination. The firm allowed the examiners access to work papers prepared in connection with its audits. These work papers were utilized by the examination on a limited basis in the verification of certain balance sheet accounts and as a supplement to the procedures performed during the examination.

A letter of representation certifying that management has disclosed all significant matters and records, was obtained from management and has been included in the examination work papers.

Status of Adverse Findings, Material Changes in the Financial Statement, and Other Significant Regulatory Information Disclosed in the Previous Examination

Important points and recommendations noted in the prior examination report have been addressed by the Company.

HISTORY

General

The Company was incorporated in the state of Colorado on October 3, 1989, as Landcar Insurance Company of Colorado, a wholly owned subsidiary of Landcar Life Insurance Company. The Company re-domesticated to Utah in September of 1995, changed its name to Landcar Casualty Company, and was issued a certificate of authority on September 29, 1995.

During December 1995, the parent, Landcar Life Insurance Company, sold 100% of its interest in the Company to the Lawrence H. Miller Family.

Effective December 28, 1998, the bylaws were amended, restated and adopted by the Company to reflect the Company's redomestication from the state of Colorado to Utah.

During the period covered by this examination, there were no amendments made to the bylaws or articles of incorporation.

The Company is licensed to insure performance of auto mechanical service reimbursement contracts pursuant to U.C.A. § 31A-6a-103.

As of December 31, 2002, the Company's authorized lines of insurance were liability and casualty.

Capital Stock

As of December 31, 2002, the Company was authorized to issue 1,000,000, shares of common capital stock with a par value of $5 per share. There were 200,000 shares issued and outstanding with an aggregate statement value of $1,000,000.

The ultimate controlling persons are Lawrence H. Miller and Karen G. Miller who own 159,760 shares or 79.88% of the outstanding stock. The remaining 40,240 outstanding shares are owned by the five children of Lawrence H. and Karen G. Miller, each of whom owns 8,048 shares or 4.024% of the aggregate total.

Dividends to Stockholders

The Company neither declared nor paid any dividends during the examination period.

Management

Management of the Company is vested in its board of directors. The following individuals were serving as directors of the Company as of December 31, 2002:

Name and Location	Principal Occupation
Lawrence H. Miller Sandy, Utah	Secretary-Treasurer, Larry H. Miller Corporation
Karen G. Miller Sandy, Utah	President Larry H. Miller Corporation
Bryan J. Miller Sandy, Utah	Larry H. Miller Group

Gregory S. Miller Sandy, Utah	Operations Manager Larry H. Miller Group
Roger L. Miller Sandy, Utah	Information Systems Manager Landcar Management Company
Stephen F. Miller Sandy, Utah	Larry H. Miller Group
Karen R. Miller Sandy, Utah	Larry H. Miller Group

Officers of the Company serving at December 31, 2002, were as follows:

Name	Title
Karen G. Miller	President
Lawrence H. Miller	Secretary-Treasurer
Bryan J. Miller	Vice President
Gregory S. Miller	Vice President
Roger L. Miller	Vice President
Stephen F. Miller	Vice President
Karen R. Miller	Vice President

According to the board of director minutes, there were no committees during the examination period.

Conflict of Interest Procedure

During the period covered by the examination, conflict of interest statements were completed annually by directors and officers of the Company. No exceptions were noted.

Corporate Records

Corporate records generated during the examination period were reviewed. The records consisted of minutes from the meetings of the board of directors. The minutes contained detailed information about the Company including current events, officer and director elections, investment transactions and regulatory issues. In general, the minutes adequately approved and supported the Company's transactions and events.

The prior examination report as of December 31, 1999, was distributed to the board in July 2001.

Acquisitions, Mergers, Disposals, Dissolutions and Purchase or Sales through Reinsurance

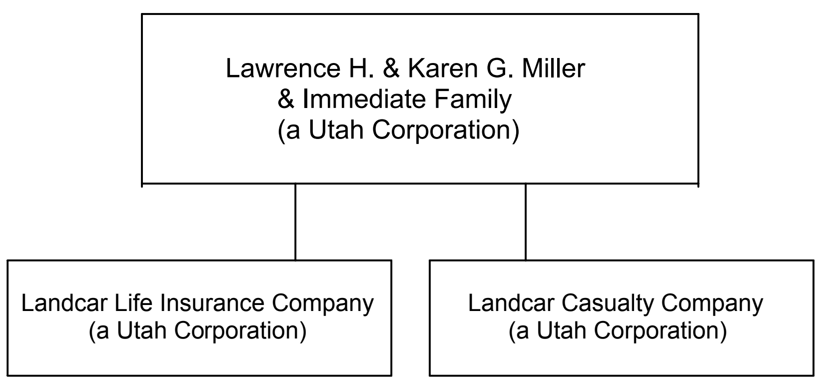
There were no acquisitions, mergers, disposals, dissolutions and purchases or sales through reinsurance noted that involved the Company during the examination period.

Surplus Debentures

During the period covered by the examination, the Company was not party to any surplus debentures.

AFFILIATED COMPANIES

The Company was a member of the insurance holding company system shown in the following organization chart as of December 31, 2002:



Insurance holding company registration statements as of December 31, 2002, were filed with the Department on April 23, 2003, pursuant to U.C.A. §31A-16-105.

In addition to the two above named insurance companies, the Miller Family has ownership or partial ownership of approximately 49 other business entities, none of which are insurers.

In June 2001, the Company executed a cost sharing agreement with its affiliates, Landcar Life Insurance Company and Landcar Agency, Inc. The agreement states that Landcar Life will provide employees and facilities to the Company and Landcar Agency and will settle costs on a monthly basis.

FIDELITY BOND AND OTHER INSURANCE

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for a company of the Company's size and premium volume is not less than $75,000. As of December 31, 2002, the Company had fidelity bond coverage of $150,000.

The Company also had additional insurance protection against loss from property and liability risks.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no direct employees and is not a party to any type of retirement plan or deferred compensation plan.

STATUTORY DEPOSITS

Pursuant to U.C.A. §31A-4-105, the Company was required to maintain a deposit in an amount equal to its minimum capital requirement. The Company's minimum capital requirement was $600,000 at December 31, 2002. Deposits maintained by or through regulatory agencies in the policyholder's behalf, as of December 31, 2002, were as follows:

State	Description	Statement Value	Fair Value
Utah	FHLB Securities 5.54%	$ 1,005,000	$ 1,022,136
	Mortgage loan securities	589,869	589,869
Totals		$ 1,594,869	$ 1,612,005

State	Description	Statement Value	Fair Value
Texas	FHLB Securities 5.55%	$ 100,000	$ 101,219

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting

As of December 31, 2002, the Company insured the performance of mechanical service contract reimbursement coverage, which is generated through automobile sales from affiliated dealerships written and administered by Landcar Agency. The insurance coverage is detailed in a service contract reimbursement policy.

Landcar Agency utilizes one basic contract form in writing the coverage which is called a "Vehicle Service Contract." The contract generally provides for the repair, replacement, or reimbursement for reasonable costs of parts and/or labor to repair or replace any of the covered components or parts listed in the contract, if required, due to mechanical failure or breakdown.

In addition to the above, the Company assumes coverage for a Guaranteed Auto Protection Plan (GAP), which provides for payment of the net outstanding balance due on a vehicle (subject to stipulated terms, conditions and exclusions) up to $10,000 in the event of a total loss of the vehicle. The policy forms issued during the examination period were consistent with Department approved forms.

Territory and Plan of Operation

The Company was licensed to transact liability and casualty insurance business (excluding disability and workers compensation), in the following states as of December 31, 2002:

Arizona	Idaho	Utah
Colorado	Oregon	Texas

The Company's major marketing emphasis is generated through automobile sales from a number of affiliated automobile dealerships in the states listed. During 1998, the Company added GAP through a reinsurance agreement with American Bankers Insurance Group of Florida. The GAP program was discontinued during 2000, and is currently in a run-off status.

Advertising and Sales Material

As of the period covered by the examination, the Company does not utilize any form of commercial advertising. The marketing of the Company's insurance products is generally transacted at the point of closing of auto sales at the various dealerships. Once the warranty contract is sold, the insurance coverage is automatically in force.

Treatment of Policyholders

As of the period covered by the examination, the examiners encountered no items of concern regarding treatment of policyholders. In addition, the Company maintained a complaint log to monitor complaints.

REINSURANCE

Assumed

Effective April 1, 1998, the Company assumed 100% of each and every Guaranteed Auto Protection contractual liability, up to $10,000, issued by the American Bankers Insurance Group.

The dealerships were located in the states of Arizona, Colorado, Idaho, Oklahoma, Oregon, New Mexico, and Utah. Effective April 15, 2000, this contract was terminated and the business is currently in run-off status.

Ceded

During the period covered by the examination, the Company did not cede any of its premium writings. The Company retains 100% of all premium writings.

ACCOUNTS AND RECORDS

The Company's accounting system utilized a centralized computer record processing system, supplemented by ancillary records maintained manually or on network drives. Account balances were traced to annual statement exhibits and schedules. Individual account balances for the examination period were examined as deemed necessary.

Accounts and records deficiencies noted during the examination included the following:

- During 2001, the Company withdrew a special deposit and did not notify the Department. U.C.A. §31A-2-206 (10) requires that withdrawals of special deposits be approved by the Commissioner in writing. It is recommended that the Company notify the Department regarding withdrawals of special deposits.

- There was a significant delay in the receipt of an investment custodial agreement (related to Company bond and preferred stock investments) requested from the Company by the examination. The agreement was eventually provided to the examiner by the investment custodian. It is recommended that the Company retain copies of agreements executed with its investment custodians.

U.C.A. §31A-4-113 requires each authorized insurer to file a true statement of its financial condition and affairs as of December 31 of the preceding year in accordance with the annual statement instructions and the accounting practices and procedures published by the NAIC. According to the NAIC annual statement instructions, a statement is not considered filed unless the information therein is complete and accurate.

FINANCIAL STATEMENT

The following financial statements are included in the examination report:

Balance Sheet as of December 31, 2002

Summary of Operations for the Year Ended December 31, 2002

Capital and Surplus for the Years 2000 through 2002

The Comments on Financial Statement immediately following the financial statements are an integral part of the statements.

LANDCAR CASUALTY COMPANY
Balance Sheet as of
December 31, 2002

ASSETS

	Amount
Bonds	$ 1,457,961
Preferred stocks	847,216
Mortgage loans on real estate	1,291,034
Cash and short-term investments	150,767
Premiums and agents' balances in course of collection	40,035
Interest, dividends and real estate income due and accrued	21,689
Total assets	3,808,702

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	197,693
Loss adjustment expense	9,817
Other expenses	15,810
Taxes, licenses, and fees	8,268
Federal and foreign income taxes	16,864
Unearned premiums	848,230
Amounts withheld or retained by company for account of others	222
Total liabilities	1,096,904
Common capital stock	1,000,000
Gross paid in and contributed surplus	462,000
Unassigned funds (surplus)	1,249,798
Surplus as regards policyholders	2,711,798
Total liabilities, capital and surplus	$ 3,808,702

LANDCAR CASUALTY COMPANY
Summary of Operations
for the Year Ended December 31, 2002

Premiums earned	$ 205,560
Deductions:	
Losses incurred	(18,062)
Loss expenses incurred	(844)
Other underwriting expenses incurred	62,811
Net underwriting gain	161,655
Investment and other income:	
Net investment gain	191,103
Net income before dividends to policyholders and before federal and and foreign income taxes	352,758
Federal and foreign income taxes incurred	133,576
Net income	$ 219,182

LANDCAR CASUALTY COMPANY
Capital and Surplus
for the Years 2000 through 2002

	2000	2001	2002
Surplus as regards policyholders, December 31, prior year	$ 2,057,339	$ 2,223,382	$ 2,465,400
Net Income	187,016	215,452	219,182
Net unrealized capital gains or (losses)		-	27,216
Change in nonadmitted assets	(4,973)	10,566	-
Change in excess of statutory reserves over statement reserves	(16,000)	-	-
Aggregate write-ins for gains or losses in surplus	-	16,000	-
Change in surplus as regards policholders for the year	166,043	242,018	246,398
Surplus as regards policyholders, December 31, current year	$ 2,223,382	$ 2,465,400	$ 2,711,798

COMMENTS ON FINANCIAL STATEMENT

Comments on the financial statements were not considered necessary by the examiner.

CAPITAL AND SURPLUS

The Company's December 31, 2002 surplus as regards policyholders as reported in its 2002 annual statement and as determined by the examination was $2,711,798.

U.C.A. §31A-5-211 requires the Company to maintain minimum capital in the amount of $600,000. In accordance with U.C.A. 31A-17 Part 6, the Company reported total adjusted capital of $2,711,798 and an authorized control level risk-based capital (RBC) requirement of $83,769 as of December 31, 2002.

The examination determined the Company's total adjusted capital to be $2,711,798 and the authorized control level RBC to be $83,769.

SUMMARY

Items of significance or special interest contained in this report are summarized below:

1. Accounts and records deficiencies were noted during the examination. (ACCOUNTS AND RECORDS)

2. The Company's surplus as regards policyholders was determined to be $2,711,798 for examination purposes. The Company's minimum capital requirement was determined to be $600,000. The Company's total adjusted capital was $2,711,798 and its authorized control level risk-based capital requirement was $83,769. (CAPITAL AND SURPLUS)

CONCLUSION

The assistance and cooperation extended during the course of the examination by officers, employees and representatives of the Company are acknowledged.

Respectfully submitted,

David A. Martinez, CFE
Examiner in Charge, representing the
Utah Insurance Department